IN THE HIGH COURT OF PUNJAB AND HARYANA AT CHANDIGARH.

I.T.R. No.35 of 1989
Date of decision: 16.10.2006

The Commissioner of Income Tax, (Central), Ludhiana

---Applicant

Vs.

M/s Ram Lubhaya & Sons, Ludhiana.

-----Respondent

CORAM:- HON'BLE MR JUSTICE ADARSH KUMAR GOEL
HON'BLE MR JUSTICE RAJESH BINDAL

Present: Mr. S.K. Garg Narwana, Advocate for the revenue.

ORDER:

Following question of law has been referred for opinion of this Court by the Income Tax Appellate Tribunal, Chandigarh Bench, Chandigarh, arising out of its order dated 22.09.1987 in I.T.A. No.10/Chandi/87 in respect of assessment year 1983-84:-

> "Whether on the facts and in the circumstances of the case, the Appellate Tribunal was right in law in allowing the assessee's claim for Rs.4,44,245/- on account of Sales-tax in the assessment year 1983-84, in spite of the fact that the same represented an undischarged liability in the relevant year?"

The assessee followed mercantile system of accounting, who made a claim for deduction of liability towards the sales tax accrued for the assessment year 1983-84. This was disallowed by the Assessing Officer, which view was affirmed by the CIT(A). On further appeal, the Tribunal accepted the assessee's contention, relying upon a Division Bench judgment of this Court in ***CIT v. United India Woollen Mills*** (1981)132 ITR 457, wherein it was held that accrued liability of the accounting period had to be allowed to the assessee where the assessee followed mercantile system of accounting.

We find that the view taken by the Tribunal is in consonance with the view taken by this Court in **United India Woollen Mills's** case (*supra),* which has been reiterated in subsequent judgment of this Court in ***Sirsa Industries*** **v.** ***CIT and another*** (1989)178 ITR 437, overruling the view taken in ***Sirsa Industries*** **v.** ***CIT and another*** (1984)147 ITR 238, which was relied upon by the Assessing Officer and CIT(A). No contrary view has been shown by learned counsel for the revenue.

In view of above, the question referred is answered against the revenue and in favour of the assessee.

(ADARSH KUMAR GOEL)
JUDGE

October 16, 2006
ashwani

(RAJESH BINDAL)
JUDGE